Advanced Portfolio Analysis
B40.3332
Fall 2002

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This is a course in the theory and application of portfolio management techniques.

Course Materials

1. Elton, Edwin and Martin Gruber, Modern Portfolio Theory and Investment Analysis. John Wiley, 5th edition 1995 and accompanying computer program.
2. Reading package available at the bookstore.
3. Notes package available at the bookstore.

All chapters are from Elton and Gruber. Readings are from the reading package and are identified by number and author name.

Grading

Grades will be based on problem sets, the midterm and final. While the grading distribution will vary slightly according to the quality of the class in general I follow the Finance Department Guidelines of

A	20-25%
B	55-70%
C and below	10-20%

A. Portfolio Analysis

(1)	An overview	Chapter 26
(3)	The Basics of Portfolio Theory	
	Characteristics of Opportunity Set	Chapter 4
	Delineating Efficient Portfolios	Chapter 5
	Calculation of the Efficient Frontier	Chapter 6
(3)	Simplifying the Portfolio Management Process	
	The Single Index Model	Chapter 7
	Multi-Index Model	Chapter 8
	Recalculating the Efficient Frontier	Chapter 9
	Reading 1 -- Markowitz	
(1)	Selecting from Feasible Portfolios	Skim Chapter 10 and 11 with emphasis on Safety First
(1)	Widening the Selection Universe	Chapter 12
	International Diversification	
(1)	Some Special Considerations with Bonds	

	Management of Bond Portfolios	Chapter 21

B. Model of Relative Prices

(3)	The Standard Capital Asset Pricing Model	Chapter 13
	Non Standard Forms of the Capital Asset Pricing Model	Chapter 14
	Test of Capital Asset Pricing Model	Chapter 15
	Arbitrage Pricing Theory	Chapter 16

MIDTERM

C. Performance

(1) Overview — Chapter 24

(2) Open End Mutual Funds
The Structure of the Industry -- Handout
Performance
1. Reading 2: Elton, Gruber, Das, and Hlavka
2. Reading 3: Elton, Gruber, and Blake
3. Reading 5: Sharpe
4. Reading 6: Sharpe
5. Reading 7: Modigliani and Modigliani
6. Reading 8: Statement of Senior Financial Economists Roundtable

(3) Other Managed Portfolios
Closed End Mutual Funds
Reading 9: Elton, Gruber, and Busee
Exchange Traded Funds

Commodity Funds
Reading 10: Elton, Gruber, and Rentzler
Reading 11: Elton, Gruber, and Rentzler

Hedge Funds
Reading 12: Brown

Institutional Managers
Reading 13: Lakowoshok, Shleifer and Vishny

(1) Other Considerations in Asset Allocation
Overview of Industry

D. Risk Control

(3) Risk & Control Measures
Reading 14: Beder
Reading 15: Dimson and Marsh
Reading 16: Sharpe and Tint

(1) Summary and Discussion

E.